FDIC State Profile

Fall 2005

New York

New York's employment picture continued to improve, but growth remained below the U.S. average.

- New York's employment has improved at a steady pace since the end of the 2001 recession, and the state's job growth path remains similar, albeit below the national growth rate (see Chart 1). Employment levels consistently increased over the past five quarters, but remain below the state's pre-recession peak.

- Service jobs have accounted for more than two-thirds of private sector jobs added in the state in the year-ending second quarter 2005. Housing-related jobs, including construction and mortgage services, also have been an important factor, accounting for 15 percent of new private sector jobs last year. The state continued to shed manufacturing jobs, although the rate of decline abated.

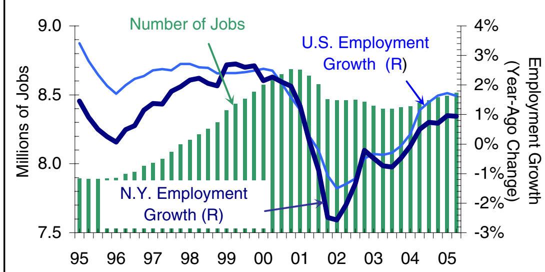
- The **Hudson Valley** (**Kingston** and **Poughkeepsie**) continued to lead statewide job growth as population growth has contributed to an increased need for local construction and service jobs. Job growth improved in **Syracuse,** with gains in retail and tourism, but moderated in **Glen Falls,** reflecting increased manufacturing losses. Manufacturing weakness also contributed to net job losses in **Binghamton**, **Rochester**, and **Elmira**.

- The recent hurricanes have contributed to higher gas prices in New York and may lead to higher heating bills this winter. After sharply increasing following Katrina, gasoline prices have eased. However, the price per gallon in New York remained higher than the nation.[1] In past years, petroleum and natural gas represented 74 percent of all residential energy consumed in the state.[2]

Home price appreciation remained high but below historical peaks.

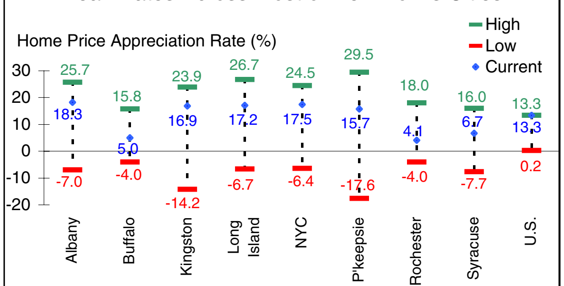
- Home price appreciation reached double-digits across many of the state's housing markets in second quarter 2005 but remained below historical peaks (see Chart 2). Employment gains, healthy income growth, and low mortgage rates have contributed to robust housing activity

Chart 1: Statewide Job Growth Has Improved, While Levels Remain Below Pre-Recession Peak



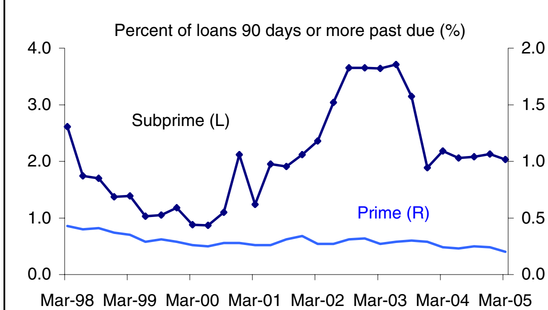
Source: Bureau of Labor Statistics

Chart 2: Home Price Appreciation Is Below Peak Rates Across Most of New York's Cities



Note: History of current, high and low quarterly home price appreciate rate since 1980 to second quarter 2005. Source: Office of the Federal Housing Enterprise Oversight

Chart 3: Subprime Mortgage Delinquency in New York Has Returned to Near Pre-Recession Levels



Source: Mortgage Bankers Association (Haver Analytics)

[1] American Automobile Association.
[2] Energy Information Administration, U.S. Census Bureau. Energy consumption data available through 2001.

in the state; however, home sales tapered during the summer and reports suggest softening demand in some upstate markets.

- Home prices have increased significantly relative to rents. In **Nassau-Suffolk**, the average monthly mortgage payment on a median priced home increased 79 percent in the past five years to $2,808, while apartment rents in the area only increased a modest 10 percent during the same period.[3]

Residential loan quality remained favorable in New York.

- An improving employment picture has contributed to strong residential loan quality in New York. The median past-due rate on all residential loans reported by the state's institutions has consistently declined over the past several years; at 0.83 percent in second quarter 2005, the median past-due rate was below the national ratio of 1.17 percent.

- After increasing following the 2001 recession, delinquency rates on subprime mortgages in New York approached pre-recession levels (see Chart 3).[4] Higher interest rates and seasoning of mortgage portfolios could result in some weakening; borrowers with marginal finances may be more vulnerable to repayment stress.

- The share of securitized interest-only and option ARM loans (potentially negative amortization loans) originated in the state has increased but remained lower than the national average through the first half of 2005.[5] Should interest rates rise and appreciation rates ease, payments on some of these mortgages could escalate and debt owed on some negative amortization loans could exceed the underlying home value.

The state's FDIC-insured institutions reported stable profitability, but margin expansion has been elusive.

- The median return-on-assets reported by the state's institutions in second quarter 2005 was unchanged from one year ago. Net interest margins increased slightly reflecting higher market interest rates. On average, loan originations at higher rates offset increased funding costs during the quarter. Loan loss provisions remained at low levels.

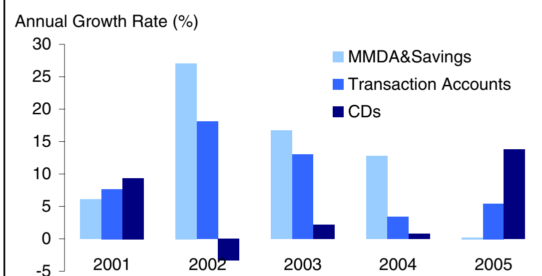
Certificates of deposit (CDs) lead core deposit growth as price competition increased.

- After trailing for several years, CDs led deposit growth in the second quarter (see Chart 4). When short-term interest rates were low, as was the case in 2002 and 2003, the incremental income benefit to depositors from locking into a CD relative to some other deposit products was modest. However, as short-term interest rates rose, depositors have returned to CDs.

- Higher CD growth rates have coincided with higher CD yields relative to other deposit products (see Chart 5). Increased competition for new and maturing CDs has contributed to more aggressive pricing by the state's banks.

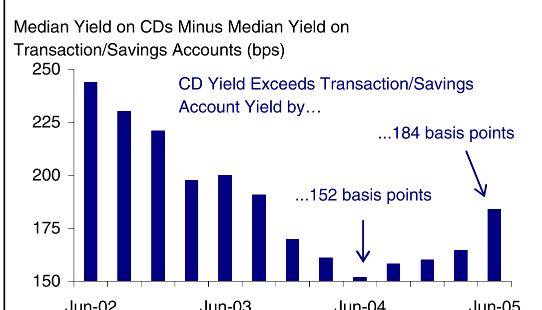
- The effect on funding costs from increased CD growth varies by institution. For banks with large transactional accounts, growth in CDs may contribute to higher funding costs as depositors shift their money from low yielding accounts into CDs. Alternatively, some banks may be opting for CDs in lieu of wholesale borrowings, which typically are more sensitive to rate changes, to manage funding costs in a rising rate environment.

Chart 4: Depositors Returned to CDs of New York Banks in 2005



Notes: Data are for banks with total assets less than $1 billion excluding thrift institutions. Data are adjusted for mergers. MMDA: Money Market and Demand Accounts. Source: FDIC

Chart 5: CD Yields in New York Have Increased Relative to Other Deposit Products in 2005



Source: FDIC

[3] National Association of Realtors, Federal Home Loan Mortgage Corporation, Property and Portfolio Research and FDIC estimates. Monthly mortgage amounts based upon 20 percent down payment on a median priced home, at the prevailing thirty year conventional mortgage rates for the second quarters 2000 and 2005. Monthly rent data are weighted averages.
[4] Mortgage Bankers Association (Haver Analytics).
[5] LoanPerformance Corporation. Data represents percentage of securitized Alt-A (low documentation loans) and BC mortgages.

New York at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q2-05	Q1-05	Q2-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.9%	1.0%	0.5%	0.5%	-0.6%
Manufacturing (7%)	-2.8%	-2.4%	-3.0%	-2.9%	-5.9%
Other (non-manufacturing) Goods-Producing (4%)	1.7%	0.9%	0.1%	-0.1%	-0.8%
Private Service-Producing (72%)	1.5%	1.5%	1.0%	1.0%	-0.1%
Government (17%)	0.0%	0.1%	-0.1%	-0.3%	-0.3%
Unemployment Rate (% of labor force)	4.9	4.9	5.9	5.8	6.4

Other Indicators	Q2-05	Q1-05	Q2-04	2004	2003
Personal Income	7.3%	6.3%	8.5%	6.8%	2.0%
Single-Family Home Permits	-0.2%	-19.8%	-0.4%	2.2%	-4.3%
Multifamily Building Permits	17.0%	48.9%	43.2%	23.9%	5.9%
Existing Home Sales	6.8%	2.2%	-3.3%	8.8%	-2.7%
Home Price Index	14.2%	14.1%	12.1%	13.6%	10.4%
Bankruptcy Filings per 1000 people (quarterly annualized level)	5.23	4.20	4.52	4.16	4.10

BANKING TRENDS

General Information	Q2-05	Q1-05	Q2-04	2004	2003
Institutions (#)	199	198	203	200	206
Total Assets (in millions)	1,192,024	1,147,876	1,865,889	1,166,140	1,733,667
New Institutions (# < 3 years)	9	9	8	9	8
Subchapter S Institutions	8	8	6	7	5

Asset Quality	Q2-05	Q1-05	Q2-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.20	1.22	1.22	1.20	1.46
ALLL/Total Loans (median %)	1.06	1.08	1.13	1.05	1.14
ALLL/Noncurrent Loans (median multiple)	2.32	2.56	2.07	2.56	1.79
Net Loan Losses / Total Loans (median %)	0.01	0.00	0.02	0.06	0.08

Capital / Earnings	Q2-05	Q1-05	Q2-04	2004	2003
Tier 1 Leverage (median %)	9.15	9.18	8.97	9.08	8.72
Return on Assets (median %)	0.84	0.81	0.83	0.85	0.89
Pretax Return on Assets (median %)	1.25	1.24	1.24	1.32	1.30
Net Interest Margin (median %)	3.78	3.76	3.71	3.77	3.78
Yield on Earning Assets (median %)	5.47	5.31	5.15	5.19	5.44
Cost of Funding Earning Assets (median %)	1.67	1.51	1.36	1.38	1.60
Provisions to Avg. Assets (median %)	0.05	0.03	0.06	0.06	0.10
Noninterest Income to Avg. Assets (median %)	0.57	0.55	0.60	0.62	0.67
Overhead to Avg. Assets (median %)	2.80	2.75	2.75	2.79	2.84

Liquidity / Sensitivity	Q2-05	Q1-05	Q2-04	2004	2003
Loans to Assets (median %)	57.1	55.9	54.9	55.8	56.1
Noncore Funding to Assets (median %)	18.9	18.3	17.7	18.1	17.1
Long-term Assets to Assets (median %, call filers)	26.0	28.5	27.8	28.0	28.6
Brokered Deposits (number of institutions)	57	55	59	56	60
Brokered Deposits to Assets (median % for those above)	3.0	3.2	2.3	2.8	1.9

Loan Concentrations (median % of Tier 1 Capital)	Q2-05	Q1-05	Q2-04	2004	2003
Commercial and Industrial	52.0	50.6	56.0	52.9	55.5
Commercial Real Estate	146.1	152.5	135.7	148.9	146.0
Construction & Development	12.0	9.9	7.4	11.4	8.8
Multifamily Residential Real Estate	7.1	7.1	7.4	7.2	7.4
Nonresidential Real Estate	110.8	107.2	97.3	103.8	103.0
Residential Real Estate	201.2	205.4	210.3	208.6	215.1
Consumer	10.1	10.2	13.0	11.5	15.0
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
New York-Northern New Jersey-Long Island, NY-NJ-PA	236	713,546	< $250 million	89 (44.7%)
Buffalo-Niagara Falls, NY	18	24,048	$250 million to $1 billion	66 (33.2%)
Albany-Schenectady-Troy, NY	26	16,118	$1 billion to $10 billion	33 (16.6%)
Rochester, NY	22	12,599	> $10 billion	11 (5.5%)
Poughkeepsie-Newburgh-Middletown, NY	33	8,467		